

Message Text

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TO AMEMBASSY BONN PRIORITY

USMISSION USBERLIN PRIORITY

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY MOSCOW

AMEMBASSY BERLIN

USMISSION NATO

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E.O. 11652:GDS

TAGS:EAIR, PFOR, GW, WB, US, UK, FR, UR

SUBJE-T: CIVAIR: IGS FARE INCREASE

REF: A.) BONN 445 B.) BONN 1929 C.) BONN 20380 (12/17/75)

D.) USBERLIN 478 (3/15/74)

1. DEPARTMENT AND CAB HAVE REVIEWED PAN AM'S DECEMBER 24
SUPPLEMENTARY APPLICATION AND JUSTIFICATION FOR IGS FARE

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INCREASE. WE HAVE CONCLUDED THAT CONDITIONS JUSTIFY AN

INCREASE ON THE ORDER OF APPROXIMATELY ELEVEN PERCENT. HOWEVER, EMBASSY AND MISSION REPORTING SUGGESTS TO US THAT POLITICAL FALLOUT FROM A FARE INCREASE OF THIS MAGNITUDE IS LIKELY TO BE GREATER THAN IN THE PAST. WE BELIEVE THAT PRIOR PRESENTATION OF PROPOSED INCREASE TO FRG AND SENAT AUTHORITIES SHOULD BE ACCOMPANIED BY CAREFULLY PREPARED ECONOMIC JUSTIFICATION AND BY BROADER EFFORTS TO IMPROVE IMAGE OF ALLIED CARRIERS IN BERLIN.

2. OUR ANALYSIS OF PAA AND BA ECONOMIC SITUATION SUGGESTS THAT ANYTHING SIGNIFICANTLY LESS THAN AN ELEVEN PERCENT INCREASE WOULD ONLY NECESSITATE AN ADDITIONAL INCREASE IN THE NEAR FUTURE. A SMALLER PERCENTAGE WOULD ALSO FALL

CONSIDERABLY SHORT OF BRITISH OBJECTIVES, WHICH COULD LEAD TO FURTHER CUTBACKS IN SERVICES. DEPARTMENT AGREES WITH EMBASSY BONN THAT AT THIS POINT, AN INCREASE IN FARES IS PREFERABLE, FROM STANDPOINT OF BOTH PASSENGERS AND CARRIERS, TO ANY REDUCTION IN SERVICE.

3. DESPITE JUSTIFICATION FOR ELEVEN PERCENT RISE, IT IS CLEAR THAT REACTION TO FARE INCREASE FROM BONN AND BERLIN WILL BE STRONGLY NEGATIVE. A MAJOR REASON FOR THIS REACTION IS THAT FRG AND BERLIN OFFICIALS AND PUBLIC HAVE NOT YET ADJUSTED TO THE NEEDS OF IGS CARRIERS IN THE CHANGED SITUATION BROUGHT ABOUT BY THE QA. HOWEVER, EMBASSY AND MISSION REPORTING, PLUS OUR STRONG IMPRESSION GAINED FROM A NUMBER OF RECENT VISITORS IS THAT THE CARRIERS THEMSELVES HAVE NOT BEEN AS ATTENTIVE AS THEY MIGHT HAVE BEEN TO THE PUBLIC RELATIONS ASPECT OF THEIR BUSINESS. THIS PROBLEM SEEMS TO HAVE BEEN HEIGHTENED BY THE FRICTIONS EXPERIENCED IN THE MOVE TO TEGEL AIRPORT.

4. ACTION REQUESTED: EMBASSY SHOULD TABLE FARE INCREASE PROPOSAL IN CAA FORUM AND OBTAIN POSITIVE CONSENSUS AS SOON AS POSSIBLE. HOWEVER, BEFORE AGREEING TO PRESENTATION OF PROPOSAL IN BCATAG OR TO PUBLIC, DEPARTMENT WOULD WISH TO SEE TRIPARTITE AGREEMENT ON A SERIES OF STEPS TO COUNTERACT THE NEGATIVE REACTION IN BERLIN AND THE FRG TO THE HIGHER FARES. WE BELIEVE SUCH AN EFFORT SHOULD BE CONFIDENTIAL

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PURSUED ON THREE LEVELS: A.) POLITICAL APPROACHES TO FRG AND BERLIN OFFICIALS; (B.) EFFORTS TO IMPROVE AIR CONNECTIONS TO BERLIN; AND (C.) PUBLIC RELATIONS EFFORTS BY THE CARRIERS THEMSELVES.

5. POLITICAL APPROACHES TO FRG AND BERLIN OFFICIALS: IN ADDITION TO THE DETAILED INFORMATION SUBMITTED IN CARRIERS' APPLICATION, PRESENTATION OF PROPOSAL SHOULD

INCLUDE DISCUSSION OF CHANGED AIR TRANSPORT SITUATION IN BERLIN WHICH HAS RESULTED FROM QA; CLARIFICATION OF HIGH QUALITY OF AIR SERVICE TO BERLIN IN COMPARISON WITH OTHER EUROPEAN CITIES AND A REMINDER OF IMPORTANCE TO BERLIN'S SECURITY OF MAINTAINING VIABLE ALLIED AIR SERVICE TO THE CITY. PRESENTATION SHOULD POINT OUT THAT FARE INCREASE SEEMS TO BE THE ONLY WAY TO ENSURE SATISFACTORY RETURN FOR CARRIERS FROM BERLIN SERVICES. AN ALTERNATIVE WOULD BE AN INCREASE IN SUBSIDY PAID BY FRG. IN LIGHT OF DECLINE IN BOTH ABSOLUTE AMOUNT AND PERCENTAGE OF FARES COMPRISED BY SUBSIDY IN RECENT YEARS, WE BELIEVE THERE IS REAL JUSTIFICATION FOR SUBSIDY INCREASE.

HOWEVER, IF FRG CONTINUES TO FEEL A SUBSIDY INCREASE IS NOT POSSIBLE, IT MUST ACCEPT THE NECESSITY FOR A FARE INCREASE WHICH IS CONSISTENT WITH THE LUFTHANSA DOMESTIC FARE INCREASE GRANTED IN NOVEMBER.

6. EFFORTS TO IMPROVE AIR CONNECTIONS TO BERLIN: MAJOR SOURCE OF GERMAN UNHAPPINESS WITH AIR SITUATION SEEMS TO BE LACK OF PROGRESS IN IMPROVING AIR SERVICE TO WEST BERLIN. TO HELP COUNTER THESE FEELINGS, DEPARTMENT BELIEVES A COMPONENT IN PRESENTATION OF FARE INCREASE SHOULD BE STATEMENT OF INTENT TO CONTINUE EFFORTS AT IMPROVING CONNECTIONS TO BERLIN. FOLLOWING ARE EXAMPLES OF POSSIBLE ALLIED ACTION:

A.) LUFTHANSA STOP AT TEGEL: DEPARTMENT IS NOT OPTIMISTIC ABOUT OBTAINING ANY CHANGE IN PREVIOUS SOVIET POSITION THAT GENERAL FOUR POWER AIR DISCUSSIONS ARE A PREREQUISITE FOR AGREEMENT TO ALLOW LUFTHANSA STOP AT TEGEL (BERLIN 478, 3/15/74). A FURTHER APPROACH TO SOVIETS ON THIS QUESTION WOULD, HOWEVER, BE USEFUL DEMON-
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STRATION OF CONTINUED ALLIED WILLINGNESS TO ASSIST LUFTHANSA IN OBTAINING OVERFLIGHT RIGHTS TO THE BCZ. WE FAVOR A FURTHER APPROACH, ON THE UNDERSTANDING THAT WE WOULD NOT BE WILLING TO ENTER INTO GENERAL AIR NEGOTIATIONS IN ORDER TO GAIN SOVIET ACCEPTANCE OF A LUFTHANSA STOP.

B.) NON-THREE POWER CARRIERS TO BERLIN: DEPARTMENT CONTINUES TO BE DISTURBED BY UK RELUCTANCE (BONN 20380, 12/17/75) TO EXTEND LANDING RIGHTS TO SEVERAL CARRIERS WISHING TO ESTABLISH SERVICES TO WEST BERLIN. OUR INACTIVITY ON THIS PROBLEM NOT ONLY RAISES QUESTIONS IN GERMAN MINDS, BUT ALSO DAMAGES OUR CREDIBILITY WITH SEVERAL NATO ALLIES WHOSE GENERAL SUPPORT WE NEED FOR OUR POSITION IN BERLIN. IN VIEW OF LONG STANDING UK OPPOSITION TO FURTHER LANDING RIGHTS GRANTS, WE WOULD NOT

WISH TO BASE FARE INCREASE ON PRIOR AGREEMENT TO THIS QUESTION. EMBASSY SHOULD, HOWEVER, MAKE A STRONG EFFORT TO HAVE LANDING RIGHTS TO ADDITIONAL AIRLINES MADE A PART OF PRESENTATION OF FARE INCREASE TO GERMAN SIDE.

C.) SCHEDULING OF IGS FLIGHTS: A COMPLAINT OFTEN RAISED BY BERLIN VISITORS TO WASHINGTON IS THAT PRESENT IGS SCHEDULES DO NOT TAKE INTO ACCOUNT THE NEEDS OF PASSENGERS, ESPECIALLY BUSINESS TRAVELLERS. WE REALIZE COMPLICATED FACTORS WHICH DETERMINE AIRLINE SCHEDULES. A CURSORY STUDY OF CURRENT TIMETABLES DOES NOT INDICATE

MAJOR PROBLEMS TO US. THIS MIGHT, HOWEVER, BE A QUESTION WORTH LOOKING INTO. A POSSIBLE WAY OF MEETING SUCH CRITICISM MIGHT BE A PROPOSAL TO REVIEW SCHEDULES IN BCATAG, ON UNDERSTANDING THAT THIS WOULD BE DONE ON PURELY ADVISORY BASIS.

7. PUBLIC RELATIONS EFFORTS OF ALLIED CARRIERS: DEPARTMENT IS NOT IN A POSITION TO PASS JUDGEMENT ON EFFORTS OF CARRIERS TO IMPROVE RELATIONS WITH CUSTOMERS AND WITH GERMAN PRESS AND GOVERNMENT OFFICIALS. HOWEVER, OUR IMPRESSION GAINED FROM TALKING TO LOCAL PAN AM OFFICIALS AND FROM COMMENTS OF SEVERAL GERMAN VISITORS IS OF POOR PUBLIC IMAGE OF BOTH PAN AM AND BA. WE INTEND TO RAISE THIS PROBLEM WITH LOCAL PAN AM REPS. BEFORE DOING SO, CONFIDENTIAL

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WE WOULD APPRECIATE COMMENTS FROM BONN AND USBERLIN ON VERACITY OF CONTINUING COMPLAINTS RECEIVED AGAINST CARRIERS AND RECOMMENDATIONS FOR IMPROVEMENT. DEPENDING ON POSTS' VIEWS, WE BELIEVE WE SHOULD CLARIFY TO BOTH PAN AM AND BA THAT INCREASED ATTENTION TO CUSTOMER RELATIONS AND PUBLIC IMAGE WILL BE IMPORTANT IN ASSURING CONTINUED PUBLIC ACCEPTANCE OF THEIR ROLE IN BERLIN AVIATION. IN THIS CONNECTION, WE WONDER IF CARRIERS ARE DOING ENOUGH TO PROMOTE USE OF SCHEDULED SERVICES. IS ADVERTISING SUFFICIENT AND WELL-DESIGNED? WOULD SOME SORT OF PROMOTIONAL FARE PROGRAM BE USEFUL AND PROFITABLE?

8. IN ADDITION TO BCATAG SUBMISSION, WE WOULD FORSEE POINTS IN PARAS. 5 AND 6 BEING MADE BY AMBASSADORS AND MINISTERS TO APPROPRIATE FRG AND BERLIN OFFICIALS. MONTHLY QUADRIPARTITE LUNCHEON WITH FOREIGN OFFICE STATE SECRETARY AND REGULAR MINISTERS' MEETING WITH GOVERNING MAYOR STRIKE US AS APPROPRIATE MEANS OF PRESENTATION. DEPENDING ON JUDGEMENT OF EMBASSY AND MISSION, SOME PRELIMINARY CONTACT WITH THE BERLIN AND FRG PRESS MIGHT ALSO BE IN ORDER.

9. WOULD APPRECIATE EMBASSY AND MISSIONS' EARLY
COMMENTS AND RECOMMENDATIONS ON POINTS RAISED ABOVE. INGERSOLL

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